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# The AGRICULTURAL OUTLOOK DIGEST

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Farmers will have another good year in 1948.

The outlook is that they will be able to sell most of the products they will produce at prices near the 1947 record average. As a result, income from farming again will be high.

Present high farm prices stem from record incomes at home and in the case of grains, the huge export demand from abroad.

U. S. business and industry have been on the upgrade for two years. Prices have spiraled higher. The BLS index of wholesale prices gained 39 percent from June 1946 to September 1947. Consumer prices were up about a fifth in the same period. Prices received by farmers rose 31 percent from June 1946 to a record in September. Prices, interest and taxes paid by farmers also climbed to a new high in September when they were 26 percent above June 1946.

Industrial production reached a peacetime peak in March and for the first six months of 1947 averaged 15 percent above the first half of 1946. Currently, further expansion of industrial production is limited by raw material shortages, particularly of steel.

Fifty-seven million civilians were employed in the first half of 1947, almost 2 million more than in 1946. Unemployment, at 2.4 millions, remained near the minimum.

Incomes rose along with prices, production and employment. Personal incomes, before taxes, were at an annual rate of 191 billion dollars in the first six months of this year compared with 177 billions for 1946. Farmers this year will receive about 30 billions from sales of products and government payments, about 18 percent more than in 1946 and a new high.

Record spending accompanied expanding incomes. In the first half of 1947, the rate of consumer spending for goods and services was about 16 percent higher than in 1946 but savings were less and more credit was used. Business concerns also spent huge sums for improving and expanding plants, installing new equipment, building up inventories.

Huge export demand has provided further outlets for the products of industry and agriculture. Grain exports in 1946-47 amounted to roughly 360 million bushels of whole grain (excluding rice) plus food products processed from over 210 million bushels of grain--or total equivalent to 570 million bushels. Foreign countries also bought as much of many other things as we could supply and they could pay for.

A significant decline in business and industry is unlikely in 1948, particularly if exports remain high.

Consumers will cut down spending in 1948 only if they earn less or save more. Neither is likely. Large unfulfilled demands for cars and other durable goods remain from war years. The housing shortage is still critical. Little resistance to high prices for food, clothing and other soft goods has been apparent.

Business concerns also are likely to spend heavily. Renewal and modernization of machinery and equipment has not been completed. Demand for industrial and commercial construction is expected to continue large. Government expenditures are not expected to change much and will continue an important part of national spending.

The most uncertain element in 1948 picture is exports. Needs of foreign nations are greater than ever before; but their ability to pay is limited.

Dollar supplies abroad are dwindling. Foreign countries are still exporting much less to us than they buy. They have been selling long and short term assets at a rapid rate. Exports, therefore, will depend greatly on new U. S. loans and other aid.

Under current government programs, exports of grains and some other foods in 1948 will still be large. However, exports of some other products, particularly cotton and tobacco, may decline.

Financing difficulties abroad will have different effects on different products. Grains are preferred abroad because of their low cost per calorie. Next to grains, fats and oils are in greatest demand. Dairy products, dried fruits and other foods have still higher cost per calorie. Of non-foods, tobacco exports have already been reduced and may fall further. Cotton exports also may fall off. No serious drop is expected, however, since many foreign countries depend on textile industries for exports.

One hazard that clouds the outlook for 1948 is further inflation. This summer and fall, expenditures of business and consumers increased more rapidly than production. The result: an upsurge in prices.

Relief from pressure of demand on supplies is not clearly in sight. Industrial output, already near capacity, can increase only slowly. Farm production is largely fixed for next few months by recent harvests; and will not increase much before next summer.

Biggest danger is from the development of inflationary psychology that would lead to a boom-bust situation. However, further inflation is not inevitable. Caution and resistance by buyers could check it. Voluntary conservation measures would aid in preventing rises in some prices. Also, government fiscal, credit and other controls could be imposed.

Demand for farm products will stay very strong in 1948 even though exports fall off some. Marketings in 1948 probably will be below 1947, but drop may be small if wheat and feed grain crops are large next year. Prices received by farmers may fluctuate more than this year but probably will average about as high. Even if a slackening in demand and bumper crops depress prices in last half of 1948, they still would assure farmers returns well above any received prior to 1945.

Prices paid by farmers also will stay high. Consequently, the parity ratio--the index of prices received divided by the index of prices paid including interest and taxes--probably will average nearly as high as this year.

GRAINS Tremendous export demand is likely to keep wheat prices above loan levels. Larger expected acreage may hold rye prices next year below 1946-47.

Mid-September feed grain prices were 35 percent higher than a year earlier; are likely to stay high until the 1948 crop season. Big harvest next year could cause a considerable drop since number of livestock to be fed is going down. Prices of grain byproduct feeds will be considerably higher and high protein feeds moderately higher this winter than last.

LIVESTOCK AND PRODUCTS Prices of meat animals were a record in early September despite large production for the season. They are expected to decline moderately this fall and winter as marketings increase. Prices are likely to rise again in late winter and early spring and for 1948 may average as high or higher than this year. Prices of chicken meat, turkeys and eggs are expected to stay high.

Downtrend in livestock number and drop in feed supply indicates a 5 to 10 percent cut in meat output next year; mostly in beef and veal. There probably will be less chicken meat but more turkeys. Egg consumption will hold near estimated 1947 level of 375 per person. Total milk flow in 1948 will be about the same as this year.

FATS AND OILS Strong demand for fats and oils probably will hold average of prices for the 1947 oilseed crops near that for the 1946 crops. Output of all fats and oils from U. S. materials will be about the same in 1947-48 as in 1946-47.

FRUITS AND VEGETABLES High prices for other foods will help keep fruit and vegetable prices generally about as high in 1948 as in 1947. However, prices may be lower compared to those of other farm products than in recent years before 1947.

COTTON AND WOOL Due to tightness of supplies, domestic mills are expected to use about 8-3/4 million bales in 1947-48, about 1.0 million less than last year. Exports may fall off but will continue large.

New price support program assures wool growers of prices that will average higher than in 1947 and at least as high as in 1946. Shorn wool output in 1948 probably will be down slightly from this year.

TOBACCO Smaller exports next year probably mean lower prices for tobacco, particularly for some types. Cigarette output in 1948 will equal or top record 365 billion estimated for this year. Production of most other tobacco products will about equal 1947.

SUGAR U. S. consumers will use about 95 pounds of sugar per person this year, about the same as before the war and considerably more than the 75 pounds last year. Production in areas which usually supply U. S. probably will be as large as in 1947. U. S. supplies may be even larger if foreign countries cut takings from Cuba.